

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

A CERTIFICATION OF THE CARRIERS)	
RECEIVING FEDERAL UNIVERSAL)	ADMINISTRATIVE
SERVICE HIGH-COST SUPPORT)	CASE NO. 381

O R D E R

The Commission has entered Orders pursuant to the Federal Communications Commission (FCC) rules certifying that carriers¹ in Kentucky plan to use their forward looking high-cost support for authorized purposes for the calendar years 2000, 2001, and 2002.² Sections 54.313 and 54.314 require states to ensure that carriers use the federal high-cost support for the provision, maintenance, and upgrading of facilities and services for which the support is intended. Also, states must ensure that federal support is being applied in a manner consistent with Section 254 of the Telecommunications Act of 1996.³ For 2000, only the use of forward-looking support was to be certified. Beginning with the federal support for 2001, certification by state

¹ Carriers are, in this context, defined as rural and non-rural incumbent local exchange carriers and eligible telecommunications carriers serving lines in the service area of a rural or non-rural incumbent local exchange carrier within their jurisdiction receiving support pursuant to sections 54.309 (Calculation and Distribution of Forward-Looking Support for Non-Rural Carriers), 54.311 (Interim Hold-Harmless Support for Non-Rural Carriers), and 54.314 (State Certification of Support for Rural Carriers).

² Federal-State Joint Board on Universal Service Ninth Report and Order and Eighteenth Order on Reconsideration (Ninth Report and Order), CC Docket Number 99-45; FCC 99-306, released November 2, 1999, Appendix C, Section 54.313 and Administrative Case No. 381 Orders dated March 24, 2000, September 29, 2000 and September 25, 2001.

³ Ninth Report and Order at Paragraphs 93-110.

commissions is required regardless of whether the support is forward-looking or hold harmless. On May 23, 2001, the FCC issued an order in CC Docket 96-45 and CC Docket 00-256 that changed the methodology by which rural carriers receive high-cost support. Also, in that order, the FCC required the states to certify that the high-cost support received by rural carriers is consistent with 47 U.S.C. § 254(e).⁴ Certification must occur by October 1 prior to the year for which support is rendered.

All carriers eligible to receive support have certified to the Commission that the use of the federal universal service support will be used in accordance with 47 U.S.C. § 254(e). All carriers propose to use their universal service support to upgrade facilities to ensure rural services are reasonably comparable to urban services and to continue to use their federal support to maintain their current rates as allowed by the FCC.⁵ Attached as Exhibit 1 is a schedule of support that each carrier is projected to receive.

On July 19, 2002, the Commission certified Kentucky ALLTEL, Inc. (Kentucky ALLTEL) as an Eligible Telecommunications Carrier (ETC) and, therefore, eligible to receive federal universal service support of the GTE Study Area and (non-rural under 47 C.F.R. § 54.313(b)) and its Contel Study Area (rural under 47 C.F.R. § 54.314(c)).⁶

⁴ In the Matter of Federal-State Joint Board on Universal Service Multi-Association Group (MAG) Plan for Regulation of Interstate Services of Non-Price Cap Incumbent Local Exchange Carriers and Interexchange Carriers, Fourteenth Report And Order, Twenty-Second Order On Reconsideration, And Further Notice Of Proposed Rulemaking In CC Docket No. 96-45, And Report And Order In CC Docket No. 00-256; FCC 01- 157, Released May 23, 2001. See generally paragraphs 185-193.

⁵ Ninth Report and Order, paragraph 106.

⁶ Administrative Case No. 381, A Certification of the Carriers Receiving Federal Universal Service High-Cost Support, Order Dated July 19, 2002. Attached as Exhibit 2.

Also on September 17, 2002, the Commission certified SouthEast Telephone Company, Inc. as an ETC in the territory of BellSouth Telecommunications, Inc. and Kentucky ALLTEL.⁷

The Commission finds that the carriers proposals to use federal support to upgrade facilities and proposals to maintain embedded rates are consistent with the requirements of Congress and the FCC.

IT IS THEREFORE ORDERED that:

1. The proposals of all of the carriers are hereby certified as complying with the FCC's criteria and, accordingly, these utilities are eligible to receive federal Universal Service Fund support.

2. A copy of this Order shall be served upon the FCC and the Universal Service Administrative Company to ensure that all carriers receive their 2003 federal high-cost support.

3. By September 1 of each calendar year, all carriers shall file with the Commission their plans for the use of any high-cost federal support.

Done at Frankfort, Kentucky, this 27th day of September, 2002.

By the Commission

ATTEST:



Executive Director

⁷ Case No. 2002-00080, Petition of Southeast Telephone Inc. for Designation as an Eligible Telecommunications Carrier, Order Dated September 17, 2002. Attached as Exhibit 3.

EXHIBIT 1

 Universal Service Funding
 High Cost Fund Support by Study Area
 Fourth Quarter 2002

State	SAC	Study Area Name	Rural Type		High Cost Model Monthly Support	High Cost Loop Monthly Support	Interstate Access Monthly Support	Long Term Monthly Support	Local Switching Monthly Support
TN	290565	HIGHLAND TEL COOP-TN	R	A	\$0	\$0	\$0	\$58,541	\$31,64
TN	290573	NORTH CENTRAL COOP	R	C	\$0	\$132,761	\$0	\$77,187	\$27,77
KY	260396	BALLARD RURAL COOP	R	A	\$0	\$8,882	\$0	\$11,127	\$29,56
KY	260398	BRANDENBURG TEL CO	R	A	\$0	\$0	\$0	\$41,706	\$57,35
KY	260401	DUO COUNTY TEL COOP	R	C	\$0	\$153,615	\$0	\$30,277	\$24,16
KY	260402	ALLTEL KENTUCKY	R	C	\$0	\$44,927	\$0	\$3,294	\$23,82
KY	260406	FOOTHILLS RURAL COOP	R	C	\$0	\$108,586	\$0	\$35,536	\$20,60
KY	260407	VERIZON SOUTH-KY	N	C	\$80,339	\$0	\$806,348	\$0	\$
KY	260408	GEARHEART- COALFIELDS	R	A	\$0	\$0	\$0	\$14,145	\$24,14
KY	260410	VERIZON S-KY(CONTEL)	R	C	\$0	\$857,887	\$53,223	\$0	\$
KY	260411	LESLIE COUNTY TEL CO	R	C	\$0	\$116,997	\$0	\$61,217	\$13,55
KY	260412	LEWISPORT TEL CO	R	A	\$0	\$235	\$0	\$1,963	\$9,42
KY	260413	LOGAN TEL. COOP. INC	R	C	\$0	\$119,010	\$0	\$16,118	\$22,58
KY	260414	MOUNTAIN RURAL COOP	R	A	\$0	\$0	\$0	\$36,020	\$31,83
KY	260415	PEOPLES RURAL COOP	R	C	\$0	\$77,849	\$0	\$20,277	\$41,52
KY	260417	SALEM TEL CO	R	A	\$0	\$0	\$0	\$4,987	\$9,70
KY	260418	SOUTH CENTRAL RURAL	R	C	\$0	\$285,072	\$0	\$72,021	\$27,52
KY	260419	THACKER/GRIGSBY TEL	R	A	\$0	\$3,841	\$0	\$18,907	\$24,89
KY	260421	WEST KENTUCKY RURAL	R	A	\$0	\$24,930	\$0	\$44,207	\$45,46
KY	265061	CINCINNATI BELL-KY	N	C	\$12,584	\$0	\$36,663	\$0	\$
KY	265182	SO CENTRAL BELL-KY	N	C	\$177,909	\$0	\$658,074	\$0	\$

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RECEIVING FEDERAL UNIVERSAL)	ADMINISTRATIVE
SERVICE HIGH-COST SUPPORT)	CASE NO. 381

O R D E R

The Commission has entered Orders pursuant to the Federal Communications Commission (FCC) rules certifying that Verizon South, Inc. (Verizon) planned to use its forward looking high-cost support for authorized purposes for the calendar years 2000, 2001 and 2002.¹ Section 54.309 and Section 54.313 of the FCC rules require states to ensure that carriers² use the federal high-cost support for the provision, maintenance, and upgrading of facilities and services for which the support is intended. Also, states must ensure that federal support is being applied in a manner consistent with 47 U.S.C. § 254.³

¹ Federal-State Joint Board on Universal Service Ninth Report and Order and Eighteenth Order on Reconsideration (Ninth Report and Order), CC Docket Number 99-45; FCC 99-306, released November 2, 1999, Appendix C, § 54.313, and Administrative Case No. 381 Orders dated March 24, 2000 and September 29, 2000.

² Carriers are, in this context, defined as rural and non-rural incumbent local exchange carriers and eligible telecommunications carriers serving lines in the service area of a rural or non-rural incumbent local exchange carrier within their jurisdiction receiving support pursuant to § 54.309 (Calculation and Distribution of Forward-Looking Support for Non-Rural Carriers), § 54.311 (Interim Hold-Harmless Support for Non-Rural Carriers), and § 54.314 (State Certification of Support for Rural Carriers). It should be noted that only the incumbent local exchange carriers are eligible in Kentucky at this time.

³ Ninth Report and Order at ¶ 93-110.

On February 13, 2002, the Commission granted approval to Kentucky ALLTEL, Inc. (Kentucky ALLTEL) to acquire and operate the local exchange assets of Verizon in Kentucky.⁴ Kentucky ALLTEL has petitioned the Commission to be certified as an Eligible Telecommunications Carrier (ETC) and, therefore, be eligible to receive federal universal service support of the GTE Study Area and (non-rural under 47 C.F.R. § 54.313(b)) and its Contel Study Area (rural under 47 C.F.R. § 54.314(c)). Kentucky ALLTEL also asks this Commission to file a revised certification with the FCC pursuant to the FCC s orders.⁵

On November 26, 1997, the Commission granted ETC status to Verizon and all other incumbent local exchange carriers in Kentucky.⁶ Kentucky ALLTEL will continue to operate and provide the same services in the same manner as its predecessor pursuant to 47 U.S.C. § 214(e) and 47 C.F.R 54.201-207.

Kentucky ALLTEL has certified to the Commission that it will use federal universal service support for the purposes for which the support is intended. Kentucky ALLTEL proposes to use its universal service support to upgrade facilities to ensure

⁴ Case No.2001-00399, Petition by ALLTEL Corporation to Acquire the Kentucky Assets of Verizon South Incorporated.

⁵ In the Matter of Federal-State Joint Board on Universal Service Multi-Association Group (MAG) Plan for Regulation of Interstate Services of Non-Price Cap Incumbent Local Exchange Carriers and Interexchange Carriers, Fourteenth Report and Order, Twenty-Second Order On Reconsideration, and Further Notice of Proposed Rulemaking in CC Docket No. 96-45, and Report and Order in CC Docket No. 00-256; FCC 01- 157, Released May 23, 2001. See generally ¶¶ 185-193.

⁶ Administrative Case No. 355, An Inquiry Into Local Competition, Universal Service, and the Non-Traffic Sensitive Access Rate; and Administrative Case No. 360, An Inquiry Into Universal Service and Funding Issues.

rural services are reasonably comparable to urban services and to continue to use its federal support to maintain its current rates as allowed by the FCC.¹

The Commission finds that Kentucky ALLTEL should be granted ETC status and that its proposal to use federal support to upgrade facilities to maintain its embedded rates is consistent with the requirements of federal and state law.

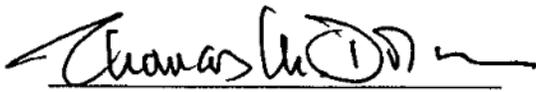
IT IS THEREFORE ORDERED that:

1. Kentucky ALLTEL is designated as an ETC throughout the current service territory of Verizon effective upon the transfer of assets to Kentucky ALLTEL.
2. Kentucky ALLTEL is hereby certified as complying with the FCC's criteria and, accordingly, is eligible to receive federal Universal Service Fund support.
3. A copy of this Order shall be served upon the FCC and the Universal Service Administrative Company.

Done at Frankfort, Kentucky, this 19th day of July, 2002.

By the Commission

ATTEST:


Executive Director

¹ Ninth Report and Order, ¶ 106.

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

PETITION OF SOUTHEAST TELEPHONE,)
INC. FOR DESIGNATION AS AN ELIGIBLE) CASE NO. 2002-00080
TELECOMMUNICATIONS CARRIER)

O R D E R

On March 11, 2002, SouthEast Telephone Company, Inc. (SouthEast) petitioned the Commission to designate SouthEast as an eligible telecommunications carrier (ETC) pursuant to 47 U.S.C. § 214(e) and 47 C.F.R. 54.201-207.

PROCEDURE

On April 12, 2002, Commission Staff issued its first data request in this proceeding, and SouthEast responded on May 10, 2002. On May 29, 2002, the Commission granted the motion of BellSouth Telecommunications, Inc. (BellSouth) to intervene in this proceeding. On July 19, 2002, the Commission granted full intervention to Kentucky ALLTEL and ALLTEL Kentucky. On June 24, 2002, the Commission issued an Order requesting written comments from the parties and other interested persons. SouthEast submitted comments in support of its petition on July 25, 2002.

SOUTHEAST

SouthEast is a competitive local exchange carrier (CLEC) with its principal location at Post Office Box 1001, Pikeville, Kentucky 41502. SouthEast provides local exchange service using resold services and unbundled network elements (UNEs) to

approximately 5,000 customers in the Appalachian region of eastern Kentucky. SouthEast also provides Internet service to approximately 13,000 customers. If granted ETC status, SouthEast's proposed service area will include study areas currently served by BellSouth and Kentucky ALLTEL.

STATUTORY PROVISIONS

To receive ETC status, the Federal Communications Commission (FCC) requires a common carrier to: (1) offer services that are supported by federal universal support mechanisms¹ throughout its designated service area; (2) provide these services using its own facilities (including UNEs) or a combination of its own facilities and resale of another carrier's facilities; and (3) advertise the availability of these services through media of general distribution.

The Commission finds that SouthEast has met the standards established by the FCC. SouthEast currently provides supported services to 100 percent of the lines in the service area for which it seeks ETC designation.² In its letter to the Commission dated March 11, 2002, SouthEast reported that it offers these services through purchase of UNEs from BellSouth and through resale of BellSouth services. SouthEast advertises

¹ These services are: (1) Voice grade access to the public switched network; (2) Local usage; (3) Dual tone multi-frequency signaling or its functional equivalent; (4) Single-party service or its functional equivalent; (5) Access to emergency services; (6) Access to operator services; (7) Access to interexchange services; (8) Access to directory assistance services; and (9) Toll limitation for qualifying low-income consumers. 47 C.F.R. Section 54.101(a).

² SouthEast's response to Commission Staff's first data request at 1.

the availability and price of these services using media of general distribution.³ SouthEast has fully complied with FCC guidelines regarding ETC designation.

CONCLUSION

SouthEast has provided sufficient evidence for this Commission to grant ETC status. This designation will benefit consumers in rural areas of eastern Kentucky by expanding the range of competitive choices and by providing an incentive for incumbent telephone companies to improve their existing networks.

The Commission, having reviewed the evidence of record and having been otherwise sufficiently advised, HEREBY ORDERS that:

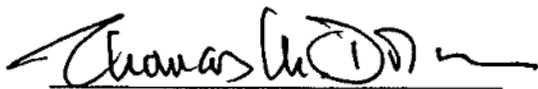
1. SouthEast is designated as an ETC for the current service territory of BellSouth and Kentucky ALLTEL. Accordingly, SouthEast is eligible to receive federal Universal Service Fund support.
2. SouthEast shall offer universal support services to consumers in its service area.
3. SouthEast shall offer these services using its own facilities or a combination of its own facilities and resale of another carrier's services, including the services offered by another ETC.
4. SouthEast shall advertise the availability of and charges for these services using media of general distribution.
5. A copy of this Order shall be served upon the FCC and the Universal Service Administrative Company.

³ SouthEast's response to Commission Staff's first data request, Attachment A.

Done at Frankfort, Kentucky, this 17th day of September, 2002.

By the Commission

ATTEST:


Executive Director